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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

RESOURCES AND ECONOMIC
DEVELOPMENT DIVISION

MAR 28 1974

The Honorable David O. Meeker, Jr.
Assistant Secretary for Community
Planning and Development
Department of Housing and Urban
Development

Dear Mr. Meeker

The General Accounting Office has reviewed the administration of the urban renewal program by the Department of Housing and Urban Development (HUD)

Federal financial assistance for urban renewal projects is provided to local public agencies (LPAs) by HUD either through direct loans, advances, or grants. HUD provides, through grants, two-thirds of the net project costs (gross costs of urban renewal projects less proceeds from the disposition of land) for communities of over 50,000 population and three-fourths for communities of 50,000 or less population.

Since the inception of the program in July 1949 to December 1972, HUD has approved 2,090 conventional urban renewal projects in 975 communities and 392 Neighborhood Development Program (NDP) projects in 391 communities throughout the United States. According to HUD records, through fiscal year 1973, a total of \$12.4 billion was made available to communities for conventional and NDP projects. As of June 30, 1973, \$6.9 billion of this amount had been expended with the remaining amount of about \$5.5 billion to be made available to the communities, according to HUD, at the rate of about \$1 billion a year.

HUD statistics show that 59 percent of all projects spend more than 8 years in execution and 30 percent require more than 12 years. HUD statistics also show that the Federal grant for a typical urban renewal project requires a 60 percent increase over initial estimates when the project begins the execution phase and another 40 to 50 percent increase prior to completion.

We examined data for 45 projects in four States--California, Georgia, Massachusetts, and Nevada--and found that the total estimated cost for these projects had increased from initial estimates totaling \$330 million to \$459 million, or 39 percent, as of December 1972. The \$129 million increase in costs resulted in a \$90 million, or 46 percent, increase in the Federal costs for these projects.

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The 45 urban renewal projects had been in execution from 7 to 17 years with an average of about 11 years--37 were originally planned to be completed in 5 years or less. The estimated completion dates had been extended from 2 to 14 years with the average being about 7 years.

To determine the underlying reasons for such delays and cost overruns, we sent questionnaires to 35 LPAs responsible for the administration of these 45 urban renewal projects in the HUD Atlanta, Boston, and San Francisco area offices. These offices were selected because of the significant amount of urban renewal activity in States under their jurisdiction. To verify the information provided by the LPAs, we selected 13 projects (10 conventional and 3 NDP) for detailed review.

LPA officials responsible for 43 of the 45 projects responded to our questionnaire and cited a number of factors which, in their view, were responsible for project delays. Two of the most frequently cited factors were:

- Plans were unrealistic because the projects were too large to be completed within the time estimated and the HUD-approved funding level
- Plans were approved which provided for construction of housing units under one of HUD's federally assisted housing programs but prior commitments that financial assistance would be provided to the LPAs were not obtained from HUD's housing production officials.

Our review of 13 projects showed that the factors cited by the LPA officials had contributed to project delays and cost overruns.

PROJECT PLANNING

LPA officials, in response to our questionnaire, advised us that HUD requested that they not submit plans which showed that a project would take more than 5 years to complete. Accordingly, the plans for many of the projects showed a completion time of 5 years, although the LPAs stated that they knew that a longer period of time and funds in addition to the amount included in the initial approved plans would be needed to complete the projects.

We found that 9 of the 13 projects we reviewed were too large for the approved funding level and/or could not realistically be completed within the timeframe shown in the plan.

For example, in April 1970, HUD authorized a 1,000 acre NDP project containing mostly single family dwellings. HUD approved project expenditures of \$4.1 million, for the 3 year period ending March 1973, whereas the LPA's records showed that to complete the renewal efforts planned for the 3 year period a total of \$8.1 million was needed.

As a result, during the third year the LPA was still working on renewal activities programmed for the second year. An LPA official told us that failure to complete renewal activities within the timeframe shown in the approved plan resulted in increased costs for administration, as well as, undesirable social consequences. A HUD area office official informed us that the project was too large for the HUD-approved funding level. He stated that HUD had conducted a limited review of the renewal plan and, as a result, had failed to recognize that the project was too large and the planned renewal efforts too extensive to be completed within the HUD-approved funding level.

PLANS APPROVED WITHOUT COMMITMENT THAT
NEEDED FINANCIAL ASSISTANCE WOULD BE PROVIDED

As previously stated, LPA officials said one of the major causes of project delays was that HUD's community development officials, before approving urban renewal plans, did not obtain commitments from HUD's housing production officials that financial assistance would be given to those LPAs whose approved plans provided for construction of housing units under one of HUD's federally assisted housing programs. We found this to be the case for 5 of the 13 projects we reviewed.

For example, an essential feature of the HUD-approved plan for one NDP project was the construction of 300 federally assisted housing units to be completed in February 1973. The project was authorized by HUD to begin in February 1972. At the time the plan was approved by HUD a commitment to provide the needed financial assistance was not obtained from HUD's housing production officials. As of February 1973, the projected completion date, construction had not started because HUD's housing production officials had still not made a firm commitment to provide the necessary financial assistance. HUD area office officials said the project was delayed because of a lack of coordination between HUD's housing production and community development officials.

OTHER FACTORS CONTRIBUTING TO DELAYS
AND COST OVERRUNS

We found that HUD and LPAs had made only limited use of the administrative budget and project management systems designed by HUD to help insure timely completion of projects at lower costs. We also noted that a proposed comprehensive project monitoring system for use by area offices in monitoring and evaluating urban renewal activities, which had been tested and found to be highly satisfactory, had not been implemented.

HUD administrative budget system
not effectively implemented

In April 1966, HUD required LPAs to implement an administrative expense budget system. The purpose of the system was to provide LPAs with an effective management tool for planning, programming, budgeting, and evaluating staff needs in relation to work requirements and achievements and to provide HUD with the basis for evaluating and approving LPAs annual administrative staff expenses. Most LPAs we visited had not effectively implemented an administrative budget system and, as a result, HUD and the LPAs did not have accurate information needed to determine whether staff and financial resources of the urban renewal program were being used in an economical and efficient manner.

Under HUD's requirements, implementing the budgetary system should include detailed scheduling of the workload and translating it into manpower requirements, and estimating salary and overhead costs. Further, HUD asked LPAs to establish formal work standards or norms to be used in determining their staffing needs. These work norms were to be established in such terms as the number of man-years of staff effort required for each structure to be rehabilitated or demolished or each family to be relocated.

Although LPAs prepared and submitted data on current and proposed staffing and broad estimates of workload, salaries, and other administrative expenses, our review of such data showed that a substantial number of workload projections in the budgets prepared by LPAs were overstated. The LPAs made estimates of workload production goals such as

- parcels to be acquired and disposed of,
- families and businesses to be relocated,

--structures to be rehabilitated and those to be demolished, and

--site improvements to be completed.

Our review of such workload projections made by seven LPAs showed that in 124 of 135 cases over a 3-year period, the LPAs failed to meet the production goals established and reported to HUD. In 97 of the 124 cases, units of work completed were below 70 percent of the workloads projected by the LPAs.

One LPA in Georgia, for example, had estimated that from 5 to 14 structures would be rehabilitated each year during the 4-year period ended September 1972, but none were. Similarly, over a 3-year period an LPA in California completed only about eight percent of its production goals in terms of the number of structures that were to be rehabilitated.

HUD project management
system not implemented

In November 1970, HUD, continuing its efforts to control costs and improve the administration of the urban renewal program, established additional requirements for LPAs to implement a project management system to aid in evaluating (1) progress in relation to the approved urban renewal plan and (2) utilization of staff. The project management system was also to be used by LPAs to provide information in support of cost estimates for projects that were approved for execution as well as requests for any Federal grant increases.

Our review showed that only four of the eight LPAs we visited took action to implement such a system or had taken other measures to supervise and control the progress of the projects.

HUD area office officials told us that most LPAs did not establish the HUD system because LPAs had neither the capability nor the necessary expertise. They added that HUD headquarters officials had subsequently deemphasized the need for the system and did not support field offices in their attempts to enforce the requirements calling for such a management system.

HUD project monitoring
system not implemented

In May 1972, HUD also tested a comprehensive project monitoring system to be used by HUD area offices in systematically monitoring and evaluating urban renewal project

activities and the other community development programs. The purposes of the system included

- identifying actual and potential slowdowns in project execution,
- assuring statutory and policy compliance,
- providing protection against program abuses, and
- obtaining information for purposes of congressional evaluations and program justification.

The system was to provide a periodic evaluation and recording of management information in a systematic way from a variety of sources including existing reports required from LPAs. Particular attention was to be paid to evaluating budgetary documents and their relationship to project progress.

Under the proposed system, each area office was to develop a plan for monitoring all urban renewal projects. Most projects were to be evaluated each six months. The system also provided for intensification of site visits or other rigid monitoring activities whenever called for. Program checklists were to be prepared on items such as the (1) LPA's accomplishments to date to bring the project within 10 to 15 percent of the production goals and (2) causes of delays. Particular attention was to be directed to effective recommendations and follow-up actions on deficiencies.

According to HUD regional officials in Atlanta, tests of the system at two area offices, completed in August 1972, were highly satisfactory. However, it had not been ascertained by HUD headquarters whether sufficient field personnel would be available to implement the system. As of December 1973, the system had not been implemented. HUD regional officials told us that HUD headquarters officials had assigned a low priority to implementing the system because of expected changes in HUD's monitoring responsibilities in the event the proposed Better Communities Act was enacted by the Congress.

ACTIONS TAKEN BY HUD

In January 1973, HUD announced that, as of June 30, 1973, no new Federal commitments would be made for previously approved urban renewal projects and no new projects would be approved during fiscal year 1974. This action was taken in connection with HUD's proposal to include the urban renewal program and its other community development programs into a single

federally assisted program of urban community development special revenue sharing under the proposed Better Communities Act.

On June 25, 1973, HUD entered into a \$500,000 contract with a consulting firm for the purpose of evaluating project delays and providing guidance for LPAs to improve their performance in administering and completing urban renewal projects. The study is scheduled to be completed by September 30, 1974, and is to include a comprehensive review of urban renewal projects in 12 cities.

RECOMMENDATIONS

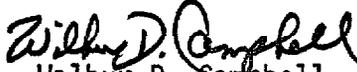
As part of the current study, we recommend that the Assistant Secretary for Community Planning and Development give consideration to the matters presented in this report, particularly with regard to

- the need for effective implementation by LPAs of a budget and management system,
- the need to insure that appropriate financial assistance is provided to LPAs whose approved urban renewal plans provide for construction of housing units under one of HUD's federally assisted housing programs, and
- the need for adequate monitoring by HUD of the performance and activities of LPAs

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We appreciate the cooperation given to our representatives during this review. We would be pleased to discuss with you or members of your staff the matters discussed in this report and would appreciate receiving your comments on those matters.

Sincerely yours,


Wilbur D. Campbell
Associate Director